

MEMORANDUM

To: Members of the Committee on Financial Services

From: Financial Services Republican Staff

Date: January 26, 2024

Re: January 31, 2024, Financial Institutions and Monetary Policy Subcommittee Hearing:
“Rules Without Analysis: Federal Banking Proposals Under the Biden Administration.”

On Wednesday, January 31, 2024, at 10:00 a.m. in Room 2128 of the Rayburn House Office Building, the Committee on Financial Services will hold a hearing titled “Rules Without Analysis: Federal Banking Proposals Under the Biden Administration.”

Witnesses:

- Greg Baer, President & Chief Executive Officer, Bank Policy Institute
- Bryan Bashur, Director of Financial Policy, Americans for Tax Reform
- Randall Guynn, Chair, Financial Institutions, Davis Polk
- Jeremy Kress, Assistant Professor of Business Law, Stephen M. Ross School of Business University of Michigan

Background: In 2023, jointly and individually, Federal banking regulators, including the Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of the Comptroller of the Currency, put forward numerous proposals to significantly change Federal regulation of banking institutions. Significant among those proposals in terms of likely economic effects are: the “Basel III Endgame” proposal to modify bank capital requirements and alter risk measurement to “implement the final component of the Basel III agreement;” requirements that banks maintain certain amounts of long-term debt; and adjustments to the Federal Reserve’s surcharges for U.S. global systemically important banks.

The proposed new rules and measures were accompanied by largely descriptive “analyses” of possible effects on the economy, sectors, businesses, and end users. Quantitative analyses of the effects were lacking with respect to individual proposals, as well as how the various and numerous proposals would work together or against each other to promote an efficient, safe, sound, and stable financial system. Since the proposals were initially put forward, estimates of the proposals’ effects from analysts outside of those made by Federal bank regulatory officials have been offered. These analyses differ significantly from the limited estimates made by the regulatory officials—an issue worthy of exploration and debate.